**Unit V** – *Money and Monetary Policy*  **Name**: Libe Gutierrez   
  
***Who Needs Money?*Learning Goal**: Explain basic concepts relating to money and banking

**k  
What is Money?** A current medium of exchange in the form of coins and banknotes; coins and banknotes collectively.

**Three [3] Functions of Money**



1. medium of exchange

1. store of value

1. unit of account

*Based on the “functions” of money described above, list* ***3*** *non-examples of money*

* A barter system uses no money
* A volunteer does not work for money.
* man saying 60% of rain

**Commodity Money** *versus* **Fiat Money** [p.287]

* Define commodity money

Value comes from a commodity of which it is made.

* Define fiat money

Inconvertible paper money made legal tender by a government decree.

**Characteristics of Money** [p.289-90]

1. Durability 3. Divisibility
2. Portability 4. Uniformity

**M1** *versus* **M2** [p.429]

* M1: • M2:

**Liquidity**



**Fractional Reserve Banking** [p.415]

***Who is Pictured on the U.S. Currency?***

|  |  |
| --- | --- |
|  | **\_George Washington\_** |
|  | **\_\_\_\_\_\_Thomas Jefferson\_\_\_\_\_** |
|  | **\_\_Abraham Lincoln\_\_\_\_\_** |
|  | **\_\_Alexander Hamilton\_\_\_\_\_\_** |
|  | **Andrew Jackson** |
|  | **\_\_\_\_Ulysses S. Grant\_\_\_\_\_\_\_** |
|  | **\_\_\_\_\_Benjamin Franklin\_\_\_\_\_\_** |